

## **Biden’s Tuition-Free Public College Plan Would Cost Federal Government \$33.1 Billion and States \$16.5 Billion in the 1st Year, With Additional Tax Revenue Outweighing the Cost Within 10 Years, New Georgetown University Report Says**

*The report also examines 3 other common free-college proposals that would cost between \$28 and \$75 billion in the 1st year*

**(Washington, DC, October 6, 2020)** A national free-college program that covers all students’ tuition could cost \$58.2 billion in the first year and would reach a total of \$799.7 billion after 10 more years, according to a new report from the Georgetown University Center on Education and the Workforce (CEW). *The Dollars and Sense of Free College* measures the costs of three major free-college models as well as the cost of a plan put forth by former Vice President and 2020 Democratic presidential nominee Joe Biden. The report finds that the annual benefits of free college would exceed the annual costs of the program within a decade.

Biden’s plan, which is similar to the free-college compromise struck by former presidential candidates Sen. Bernie Sanders and Hillary Clinton, would fully cover public college tuition and allow existing financial aid to be used for other expenses. This plan would limit eligibility for students at four-year colleges to those from families with annual incomes below \$125,000. In the first year, the Biden plan would cost \$49.6 billion, about \$8.6 billion less than it would cost if it did not take family income into account. After an additional 10 years, it would cost a total of \$683.1 billion.

A similar free-college program without an income cap would cost around \$58.2 billion in the first year. After another 10 years, the cumulative cost could reach \$799.7 billion.

A free-college program in which the government would pay only the tuition remaining after students’ existing financial aid awards are used would be less costly for taxpayers but would give less financial support to low-income students in particular. This type of free-college program would cost \$27.8 billion in the first year and total \$414.9 billion after 10 more years.

The most comprehensive and expensive free-college program would cover tuition as well as all other costs of attending college, including room and board, books, and transportation. CEW researchers estimate it would cost \$75 billion in the first year.

“Free college isn’t really free for the taxpayers who will end up paying for it,” said Dr. Anthony P. Carnevale, lead author and CEW director. “However, within 10 years, the annual benefits of some free-college programs could outweigh their annual costs.”

Free-college programs not only benefit students—they also help assure a well-trained workforce for the US economy. Various free-college programs already exist in at least 15 states and more than 200

localities. CEW researchers project that the benefits of implementing a tuition-free college program, in terms of higher earnings and higher tax revenue, could total \$1.2 trillion within the first 11 years. With more students earning college credentials and getting better jobs, there would be additional tax revenue of \$371.4 billion and private after-tax earnings gains of \$866.7 billion. In addition, an increase in the number of Americans earning college credentials will have numerous noneconomic benefits, from improved health and reduced crime to informed civic participation.

By limiting eligibility based on family income, the Biden free-college plan would be more targeted toward lower-income students and more racially equitable than a free-college plan that only covers tuition after financial aid is taken into account. Under the Biden plan, 29% of the funding would go to students in the bottom income quartile. For a program that only covers tuition after students' existing financial aid is awarded, only 13% of the funding would go to students in the bottom income quartile. Biden's plan would also distribute funds more proportionally by race than the other plans, though more targeted funding would still be needed to ensure that underrepresented students receive the same benefits as White students.

"To cover all students' needs including those beyond tuition, policymakers should consider how a free-college program needs to be designed with race and class equity in mind," said Jenna Sablan, co-author and assistant research professor at CEW.

Federal spending on financial aid is significant, but it has not kept pace with the rising price of college. The fallout from the recession caused by the coronavirus pandemic, which has caused many states to heavily cut their higher education budgets, could strengthen the arguments for a federal free-college program. In particular, people displaced from their jobs or coming of age during the recession may be able to gain a foothold in the labor force if they obtain at least some college education.

"With a federal free-college program, we expect college enrollment to increase and shift from private to public colleges," said Michael Quinn, co-author of the report and senior analyst at CEW.

CEW researchers project that under a free-college program, student enrollment in higher education would increase 4% to 8% overall, and some students would shift from private to public colleges. At public institutions, enrollment could increase by 6% to 14%, depending on students' responses to free-college incentives, while enrollment at private colleges could decline by 7% to 14%.

As enrollment grows in response to the incentive of free college, funding also must be allocated for support services such as mentoring, career counseling, and tutoring to help ensure that students graduate. Additionally, assuring transparency and accountability will be vital to ensure that the programs offered by public higher education institutions are valuable to students and taxpayers.

"While a wide variety of free-college programs are already in place in states and cities across the country, free college at the federal level has the potential to open doors of opportunity to more people, especially those from disadvantaged groups who are currently scared off by a high price tag, confusing financial aid policies, and the prospect of going into debt," said Artem Gulish, co-author and senior policy strategist at CEW.

#### **Other Findings:**

- Differences in states' investment in higher education influence the cost of implementing tuition-free college by state. For example, with universal eligibility, a free-college program would cost \$6 billion in California, \$5.5 billion in Texas, \$3.3 billion in Illinois, and \$3.2 billion in New York.

- Covering all eligible students' tuition at community colleges, a popular proposal, would cost \$14.3 billion in the first year.
- Under Biden's plan, Black students would receive 14% of funds and Latino students 19% of funds, while representing 14% and 21% of eligible students, respectively.
- Open-access public colleges are expected to see the greatest increase in enrollment, from 9% to 19%, as a result of the implementation of a free-college program.

To read the full report and executive summary, visit [cew.georgetown.edu/FreeCollegeCost](http://cew.georgetown.edu/FreeCollegeCost).

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